

Basic country indicators

Indicator	2010	2011	2012	2013	2014
GDP, in bn USD	37.0	43.3	38.2	42.6	44.1
GDP growth, in %	1.0	1.6	-1.5	2.4	-2.0
GDP per capita, in USD	3,837	4,510	4,002	4,481	5,708
Unemployment rate, in %	20.0	23.6	24.6	24.0	19.7
Foreign direct investments, bn EUR	0.86	1.83	0.24	0.80	n/a
Inflation, in %	10.2	7.0	12.2	2.2	1.8
Population, in mn	7,200,666				

Basic sector indicators

Indicator	2010	2011	2012	2013	2014
Energy production, base index, 2010=100	100,0	105,6	98,9	112,0	92,5
Export of petroleum and petroleum products and related materials, USD thousands	244,125.0	286,237.9	259,333.0	387,777.9	n/a
Import of petroleum and petroleum products and related materials, USD thousands	1,765,128.0	2,250,862.3	1,875,714.0	1,941,614.2	n/a
Export of gas, natural and manufactured, USD thousands	10,272.8	24,459.7	12,006.0	33,016.4	n/a
Import of gas,	950,677.9	1,186,400.3	1,089,755.0	922,764.9	n/a
Export of electric	237,785.5	180,236.7	125,901.0	271,640.4	n/a

current, USD thousands					n/a
Import of electric current, USD thousands	203,227.0	168,230.9	228,399.0	159,912.6	n/a

1. KEY SECTOR INFORMATION

Serbia's energy sector is also highly energy intensive. Serbia consumes 2.7 times more energy per unit than the OECD average despite low economic activity. In 2013 Serbia's gas consumption reached 2.5bcm and 82% of this gas came from Russia via Ukraine and Hungary. Future gas deliveries have yet to be clarified as the deal between Ukraine and Gazprom expires in 2019. A gas route from Dimitrovgrad in Bulgaria to Serbia has been granted significant EU support out of the available 200mio EUR in pre-accession funds. It can further be mentioned that International donor support of Serbia's energy sector reached 655mio EUR in the period from 2007-2013 and also 50mio EUR in IPA funds. Main receivers of donor support are improvements of the infrastructure and better regional connectivity.

Most electricity produced in Serbia is generated in thermo-power plants (62%), followed by hydro-power plants (34%), with all other sources currently being at very low levels. There is a high dependency on low-quality lignite coal which Serbia produces itself.

Regarding businesses and their competitiveness Serbia has for too long sold imported gas at a discount rate to state owned companies causing a budget deficit. The IMF is aware of this issue and has called for price hikes and company restructurings in the time to follow.

It is further noted, that if large public companies such as the EPS (Serbian Electric Power Company) are efficiently restructured, there is a potential of becoming a regional leader in electricity infrastructure. In short, further reforms are to be expected also in the electricity production and distribution.

2. RENEWABLES

The renewable energy sector is a field to monitor. Today Serbia produces 19-20% of its energy from renewables due to hydropower. Serbia has signed the Energy Community Treaty, which obliges the country to rely on 27% of their total energy consumption to come from renewable energy by 2020. Significant investments in renewables have to be made in order to reach this target. The government's priorities have so far been hydropower and biomass. Today the biggest renewable energy source is hydropower, accounting for 7% of the total energy consumption in 2011. Wind energy is less prioritised for the time being by the Serbian government, but foreign investors have for the past 5-6 years built up potential projects that are about to be realised now that the legislation supporting wind projects is improving.

The wind turbine market is still at a very early stage but shows good potential especially in the flat Vojvodina region where the Kula Wind Park is under construction with the participation of Danish companies. It's a smaller wind park of 10 MW but more projects are expected to follow. For the time being there is a government defined cap of 500 MW for which there are already investment plans and investors.

Biomass and biofuels is just another promising field considering the extensive agricultural sector of Serbia. Almost all production of pellets is being exported to the EU since Serbia faces a serious obstacle in implementing correct usage of biomass-driven powerplants. The bioenergy is also expected to develop further.

3. HOUSEHOLDS AND PRICING OF ENERGY

The heating pricing system for households is still based on m² and not actual consumption. This is however planned to be changed. Therefore energy saving investments within heating will be relevant in the future when they change from square meter pricing to actual consumption pricing. The share of district heating is insignificant compared to Denmark – less than one third of the households use district heating. The large rural population remain reliant on coal or wood for heating. District heating powerplants mainly use gas followed by oil and coal. Further usage of district heating is to be expected.

The electricity pricing is consumption based but low with a household price of 0.46 EUR per kWh. With a substantial night-time reduction of approx. 5 times the daytime price. But price increases are planned starting with a 15% price increase from the beginning of April 2015.

Belgrade households pay the third-highest price for gas in the EU calculated after purchasing power. This is despite the fact, that Serbia has the lowest taxation on gas.

4. REFORMS AND POLICIES

The dire situation of the Serbian economy is a major challenge for the inauguration of new projects and restructurings of inefficient state owned enterprises. The current government is nevertheless aware that it

must improve and restructure the energy sector in order to keep Serbia on the EU accession path. Awareness of energy efficiency is present among the consumers but not followed due to low energy prices. Therefore a new ESCO (Energy Service Company) framework and a new law on energy have been launched. Both initiatives aimed at improving the low energy efficiency.

Other legislative changes are also underway e.g. the template of the Power Purchase Agreement (PPA) which will promote energy produced from renewable energy sources, thus giving incentive to strengthening the transition from a carbon based economy.

The activity of electric energy distribution is performed in five regional subsidiaries: Elektrovojvodina, Elektrodistribucija Beograd, Elektrosrbija, Centar (Elektrosumadija Kragujevac, Elektromorava Pozarevac and Elektromorava Smederevo) and Jugoistok (Elektrotimok Zaječar, Elektrodistribucija Niš, Elektrodistribucija Pirot, Elektrodistribucija Prokuplje, Elektrodistribucija Leskovac and Elektrodistribucija Vranje).

EPS plans to introduce smart meters and this will lead towards more demand for optimising the electricity consumption due to the fact that all consumers will be accountable for their consumption.

5. DANISH OPPORTUNITIES

The recent transformation of the serbian energy sector towards a greener and economical sustiable sector requires investments in technolgies and knwohow. The embassy sees opportunities winthin subsupplies for the windsector, and especially within energy saving equipment and knowhow for bio energy and biofuel.

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